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Committee on Financial Services

Michael G. Oxley, Chairman

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Two Financial Services Subcommittees To Begin Enron Investigation Wednesday

On the heels of Enron's bankruptcy filing, the House Financial Services Subcommittee on Capital Markets, Insurance and Government Sponsored Enterprises and the Subcommittee on Oversight and Investigations will hold a hearing at 10 a.m. Wednesday, December 12, in Room 2128 of the Rayburn House Office Building.

Entitled "The Enron Collapse: Impact on Investors and Financial Markets," the hearing will begin the Committee's investigation into one of the largest company collapses in history. Among the subjects to be investigated are the impact on commodity markets, the reasons behind Enron's overstated earnings, mishandling of the employee 401(k) plan, potential securities fraud, and accounting irregularities.

"The Committee's got to move past the headlines and get the facts on Enron," said House Financial Services Committee Chairman Michael G. Oxley (OH). "As the appropriate regulators investigate potential violations of securities law, this Committee will be overseeing the process in order to get to the bottom of the current situation and to ensure this doesn't happen again."

Enron Corporation filed for bankruptcy on Dec. 2 after a series of events caused customers to lose confidence and the stock to plummet. Largely responsible for this lack of investor confidence was Enron's announcement last month that it had overstated earnings by \$583 million in the past 4 years.

As a result, the company's stock price fell from nearly \$90 per share a year ago to pennies per share today. Thousands of Enron employees have seen their retirement savings devastated because many 401(k) plans were heavily invested in Enron stock. As is common practice in many companies, matching contributions were only available in company stock, which employees cannot sell until they reach age 50.

On average, employees have more than 60 percent of their retirement savings in Enron stock – some up to 100 percent. Department of Labor officials have said that this may be the largest loss ever sustained by a single company's retirement fund. Additionally, millions of Americans who are invested indirectly through other retirement plans and mutual funds have suffered large losses.

"It looks to me like a whole bunch of innocent people got crushed here," said Capital Markets Subcommittee Chairman Richard H. Baker (LA). "Obviously we've got a lot of questions. We need to find out whether the retirement savings of Enron workers and the mutual funds of a lot of other people were victims of fraud or any violations of existing securities laws. Do we need better disclosures or accounting standards that give investors the real picture? But what I'd like to know, for starters, is how this happened, could it have been avoided, where were the warnings from the experts, and how do we avoid a similar collapse in the future."

Oversight and Investigations Subcommittee Chairwoman Sue W. Kelly (NY) said, "The effect of Enron's collapse could have far-reaching implications for our economy. Mistakes or misstatements of this magnitude must not be repeated. We need to determine why required disclosures gave no indication of these problems until only recently."

The Financial Services Committee has jurisdiction over the nation's securities markets, the Securities and Exchange Commission, and accounting.

Invited witnesses include Securities and Exchange Commission Chairman Harvey Pitt, Enron CEO Ken Lay, and Andersen CEO Joe Berardino.

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